

# **Gitennes** Exploration Inc.

## **INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**(Unaudited)**

### **MANAGEMENT COMMENT**

These interim consolidated financial statements for the six months ended June 30, 2009 of Gitennes Exploration Inc. have been prepared by management and have not been subject to review by the Company's auditors.

**Interim Consolidated Balance Sheets**(Unaudited)  
Canadian Funds

<b>ASSETS</b>	<b>As at June 30 2009</b>	<b>As at December 31 2008</b>
<b>Current</b>		
Cash and cash equivalents	\$ 118,195	\$ 543,661
Accounts receivable	8,286	6,538
Prepaid expenses	20,405	18,398
	146,886	568,597
<b>Mineral Properties</b> (Note 4)	2,329,302	2,267,203
<b>Equipment</b> (Note 5)	59,320	70,423
	\$ 2,535,508	\$ 2,906,223

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 67,371	\$ 79,507

**SHAREHOLDERS' EQUITY**

<b>Share Capital</b> (Note 6)	30,896,547	30,896,547
<b>Contributed Surplus</b> (Note 6b)	1,019,934	1,019,934
<b>Deficit</b> - Statement 2	(29,448,344)	(29,089,765)
	2,468,137	2,826,716
	\$ 2,535,508	\$ 2,906,223

**Going Concern** (Note 1)

ON BEHALF OF THE BOARD:

\_\_\_\_\_  
"Jerry Blackwell" Director  
JERRY D. BLACKWELL

\_\_\_\_\_  
"Ed Kimura" Director  
ED KIMURA

- See Accompanying Notes -

## Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

(Unaudited)

Canadian Funds

	For the Three Months Ended 30 June		For the Six Months Ended 30 June	
	2009	2008	2009	2008
<b>Expenses (Income)</b>				
Audit, accounting, legal and professional fees	\$ 35,312	\$ 43,326	\$ 77,022	\$ 69,637
Amortization	3,299	4,401	6,663	8,802
Filing, transfer fees and investor relations	29,995	29,188	74,673	73,459
Insurance	2,760	-	6,040	3,422
Interest and bank charges	589	736	1,399	1,579
Office rent, utilities and miscellaneous	20,800	28,733	43,426	57,832
Salaries and benefits	44,391	50,941	95,287	126,962
Travel	4,968	3,186	10,178	5,607
<b>Loss Before the Under-Noted</b>	<b>(142,114)</b>	<b>(160,511)</b>	<b>(314,688)</b>	<b>(347,300)</b>
<b>Other Income (Expenses)</b>				
Foreign exchange loss	(9,663)	(18,862)	(8,044)	(9,690)
General exploration	(438)	(17,944)	(4,077)	(34,438)
Interest and other income	-	511	-	2,004
Gain on disposal of equipment	-	-	1,840	-
Write-down of mineral properties (Note 4)	(33,610)	(75,925)	(33,610)	(75,925)
<b>Loss and Comprehensive Loss for the Period</b>	<b>(185,825)</b>	<b>(272,731)</b>	<b>(358,579)</b>	<b>(465,349)</b>
Deficit - beginning of period	(29,262,519)	(25,358,495)	(29,089,765)	(25,165,877)
<b>Deficit – End of Period</b>	<b>\$ (29,448,344)</b>	<b>\$ (25,631,226)</b>	<b>\$ (29,448,344)</b>	<b>\$ (25,631,226)</b>
<b>Loss Per Share – Basic and Diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted-Average Number of Shares Outstanding – Basic and Diluted</b>	<b>47,502,231</b>	<b>47,315,418</b>	<b>47,502,231</b>	<b>47,158,824</b>

- See Accompanying Notes -

**Interim Consolidated Statements of Cash Flows**(Unaudited)  
Canadian Funds

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
<b>Cash Flows From Operating Activities</b>				
Loss for the period	\$ (185,825)	\$ (272,731)	\$ (358,579)	\$ (465,349)
Items not affecting cash				
Amortization	3,299	4,401	6,663	8,802
Gain on disposal of equipment	-	-	(1,840)	-
Write-down of mineral properties	33,610	75,925	33,610	75,925
	(148,916)	(192,405)	(320,146)	(380,622)
Changes in non-cash working capital items				
Accounts receivable	3,190	15,201	(1,748)	12,638
Prepaid expenses	89	(8,833)	(2,007)	(9,712)
Accounts payable and accrued liabilities	23,750	(5,510)	(12,136)	(13,735)
	(121,887)	(191,547)	(336,037)	(391,431)
<b>Cash Flows from Financing Activities</b>				
Net proceeds from issuance of common shares	-	65,000	-	65,000
<b>Cash Flows From Investing Activities</b>				
Mineral property expenditures	(56,552)	(141,170)	(95,709)	(752,063)
Proceeds on disposal of equipment	-	-	6,280	-
	(56,552)	(141,170)	(89,429)	(752,063)
<b>Net Decrease in Cash and Cash Equivalents</b>				
Cash and cash equivalents – beginning of period	296,634	1,220,810	543,661	2,031,587
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 118,195</b>	<b>\$ 953,093</b>	<b>\$ 118,195</b>	<b>\$ 953,093</b>
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>				
Increase (decrease) in mineral property accounts payable	\$ -	\$ (24,387)	\$ -	\$ (171,916)
Fair value of stock options exercised	\$ -	\$ 64,366	\$ -	\$ 64,366

- See Accompanying Notes -

## Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited)

Canadian Funds

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### 1. Going Concern

The Company, which is considered to be in the exploration stage, is in the process of exploring several mineral properties in Perú. The Company has not yet determined whether these properties contain economic reserves. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several adverse conditions cast significant doubt upon this assumption. The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. Consistent with other companies in the mining/exploration industry, the Company has no ongoing source of revenue, and has cash requirements to meet its administrative overhead and maintain its mineral interests. The ability of the Company to continue as a going concern is dependent upon its ability to obtain the necessary financing to complete the development of these properties and for future corporate and administrative expenses. While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future.

The Company has been advised by the Toronto Stock Exchange (the "TSX") that it is reviewing the Company's eligibility for continued listing of its common shares on the TSX exchange. The Company has been granted until August 2009 to regain compliance with the TSX listing requirements, pursuant to the TSX's Remedial Review Process.

These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern, and such adjustments could be material.

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### 2. Accounting Policies

#### a) Basis of Presentation and Principles of Consolidation

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its significant wholly-owned subsidiaries, Castle Keep Ltd., Gitennes Exploraciones Perú S.A., Oromalqui Gold Corp., Minera Corimalqui S.A. and Compañía Minera Seis Rios S.A. All significant inter-company transactions and balances have been eliminated.

#### b) Basis of Presentation

The accompanying unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Except as noted below, these interim consolidated financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2008.

## Notes to Interim Consolidated Financial Statements

June 30, 2009

(Unaudited)

Canadian Funds

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### 2. Accounting Policies - *Continued*

#### c) Recent Accounting Pronouncements

##### Mining Exploration Costs

On March 27, 2009, the CICA approved EIC-174 – *Mining Exploration Costs*. This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The adoption of this new standard has had no material impact on these financial statements.

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### 3. Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. Cash and cash equivalents are classified as Assets Held-For-Trading and carried at fair value. All of the Company's other financial instruments are carried at amortized cost. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges.

All of the Company's Canadian cash is held in an account at a major Canadian bank. The Company also maintains U.S. and Peruvian cash in a major bank in Perú, which it uses to fund its Peruvian projects and operations. As at June 30, 2009, the Company held the equivalent of \$49,360 in U.S. dollars and \$5,083 in Peruvian soles. The cash balances and payables that are denominated in U.S. dollars and Peruvian soles are subject to currency risk due to fluctuations in the exchange rates with the Canadian dollar. To manage this currency risk, the Company maintains only the minimum amount of foreign cash that is considered necessary to fund its ongoing exploration expenditures and foreign operations. Accounts payable are settled in a timely manner.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity, or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current period.

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Gitennes Exploration Inc.  
**Notes to Interim Consolidated Financial Statements**  
June 30, 2009  
(Unaudited)  
Canadian Funds

**4. Mineral Properties**

a) Details of mineral property activities are as follows:

	Perú						Total
	Tucumachay	Urumalqui	TotoRoko	Titimina	La Chivona	Other	
December 31, 2007	\$ 2,856,313	\$ 856,826	\$ 599,036	\$ 95,683	\$ -	\$ 96,811	\$ 4,504,669
Deferred expenditures							
Administration	1,568	4,867	-	-	-	-	6,435
Assays	2,528	19,811	12,313	-	-	-	34,652
Consulting geology	2,085	82,805	16,534	-	-	1,488	102,912
Domicile	1,126	30,225	2,746	-	-	-	34,097
Drilling	-	274,767	-	-	-	-	274,767
Environmental and social license	-	430	9,046	-	-	-	9,476
Government taxes	660	61,193	5,526	-	-	-	67,379
Tenure	16,387	8,185	4,834	8,770	8,484	3,333	49,993
Topographic survey	-	436	-	-	-	-	436
Total expenditures during the period	24,354	482,719	50,999	8,770	8,484	4,821	580,147
Write-off of mineral properties	-	-	-	-	-	(75,925)	(75,925)
June 30, 2008	\$ 2,880,667	\$ 1,339,545	\$ 650,035	\$ 104,453	\$ 8,484	\$ 25,707	\$ 5,008,891
December 31, 2008	\$ -	\$ 1,462,028	\$ 664,754	\$ 105,675	\$ 8,484	\$ 26,262	\$ 2,267,203
Deferred expenditures							
Administration	9,798	11,205	-	-	-	-	21,003
Consulting geology	2,500	24,738	-	-	-	-	27,238
Domicile	-	1,175	-	-	-	-	1,175
Environmental and social license	800	-	5,638	-	-	-	6,438
Government taxes	798	995	286	-	-	-	2,079
Tenure	12,955	9,463	6,255	9,103	-	-	37,776
Total expenditures during the period	26,851	47,576	12,179	9,103	-	-	95,709
Write-off of mineral properties	-	-	-	-	(8,484)	(25,126)	(33,610)
June 30, 2009	\$ 26,851	\$ 1,509,604	\$ 676,933	\$ 114,778	\$ -	\$ 1,136	\$ 2,329,302

**Notes to Interim Consolidated Financial Statements**

June 30, 2009

(Unaudited)

Canadian Funds

**4. Mineral Properties - Continued****b) Cumulative mineral costs are as follows:**

	Acquisition	Exploration	June 30 2009	December 31 2008
Perú				
Tucumachay	\$ -	\$ 26,851	\$ 26,851	\$ -
Urupalqui	87,329	1,422,275	1,509,604	1,462,028
TotoRoko	-	676,933	676,933	664,754
Titimina	9,456	105,322	114,778	105,675
La Chivona	-	-	-	8,484
Other	-	1,136	1,136	26,262
	<u>\$ 96,785</u>	<u>\$ 2,232,517</u>	<u>\$ 2,329,302</u>	<u>\$ 2,267,203</u>

**c) Tucumachay, Perú**

Under an agreement dated June 30, 2004 with Inmet Mining Corp. ("Inmet"), the Company earned a 100% interest in the Tucumachay property subject to a 60% back-in right.

During the period, the Company acquired a 100% interest in the Tucumachay project. Inmet agreed to exchange the back-in right for a sliding-scale net smelter returns royalty ("NSR") of 0.75% to 1.25% on any future gold production from the project. The NSR will apply as follows: 1.25% at gold prices above US\$400 per ounce; 1.0% at gold prices between US\$400 and US\$330; and 0.75% at gold prices below US\$330 per ounce.

As the Company had no firm plans to explore the property, it wrote its carrying value down to a nominal value in 2008 in accordance with GAAP. The Company intends to maintain the claims in good standing and to further develop the property in the future.

**d) Urupalqui, Perú**

The Company owns a 100% interest in the Urupalqui project, which is situated in north-central Perú.

**e) TotoRoko, Perú**

The Company has acquired a 100% interest in the TotoRoko property in the State of Arequipa, Perú.

**f) Titimina, Perú**

The Company has acquired, by staking, the Titimina property adjacent in part to the Tucumachay property.

**g) La Chivona, Perú**

The Company acquired, by staking, the La Chivona property near the coastal city of Chiclayo. During the period the Company abandoned this project and wrote off \$8,484 in costs.

**Notes to Interim Consolidated Financial Statements**

June 30, 2009

(Unaudited)

Canadian Funds

**4. Mineral Properties - Continued****h) Other Properties**

The Company has staked various claims in Perú, all of which are held 100% by the Company. Individual, segregated exploration expenses will be shown for these properties if and when significant costs are incurred exploring one or more of the claims. During the period the Company abandoned certain of these claims and wrote off \$25,126 in costs.

**5. Equipment**

	Cost	Accumulated Amortization	June 30 2009 Net Book Value	December 31 2008 Net Book Value
Computer equipment	\$ 96,364	\$ 79,037	\$ 17,327	\$ 19,253
Furniture and fixtures	74,182	61,802	12,380	13,756
Equipment	59,823	30,210	29,613	37,414
	<u>\$ 230,369</u>	<u>\$ 171,049</u>	<u>\$ 59,320</u>	<u>\$ 70,423</u>

**6. Share Capital****a) Details are as follows:**

Authorized: An unlimited number of common shares without par value

Issued and outstanding:

	2009		2008	
	Shares	Amount	Shares	Amount
Balance – beginning of period	47,502,231	\$ 30,896,547	47,002,231	\$ 30,767,181
Exercise of option	-	-	500,000	65,000
Fair value of options exercised (note 6b)	-	-	-	64,366
Balance – end of period	<u>47,502,231</u>	<u>\$ 30,896,547</u>	<u>47,502,231</u>	<u>\$ 30,896,547</u>

**b) Contributed Surplus**

	2009	2008
Balance – beginning of period	\$ 1,019,934	\$ 803,620
Fair value of options exercised (i)	-	(64,366)
Balance – end of period	<u>\$ 1,019,934</u>	<u>\$ 739,254</u>

(i) During the period, nil (2008 – 500,000) stock options were exercised for which the related fair value has been recorded as share capital in these financial statements.

**Notes to Interim Consolidated Financial Statements**

June 30, 2009

(Unaudited)

Canadian Funds

**6. Share Capital – Continued****c) Stock Options**

The Company has a rolling stock option plan under which the Company may grant options to its directors, employees, and other service providers for up to 10% of the outstanding common shares. The Board of Directors determines the exercise price per share and the vesting period under the plan.

During the periods ended June 30, the change in stock options outstanding was as follows:

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Balance – beginning of period	4,560,000	\$ 0.29	3,495,000	\$ 0.54
Granted	-	\$ -	-	\$ -
Exercised	-	\$ -	(500,000)	\$ 0.13
Expired	(720,000)	\$ 0.34	(370,000)	\$ 2.80
Balance – end of period	<u>3,840,000</u>	<u>\$ 0.27</u>	<u>2,625,000</u>	<u>\$ 0.37</u>

Details of the stock options outstanding at June 30 are as follows:

2009	2008	Exercise Price	Expiry Date
-	690,000	\$ 0.355	April 21, 2009
180,000	180,000	\$ 0.40	July 21, 2009
460,000	470,000	\$ 0.47	April 1, 2010
80,000	80,000	\$ 0.30	November 10, 2010
400,000	400,000	\$ 0.40	March 12, 2011
55,000	55,000	\$ 0.41	August 30, 2012
200,000	200,000	\$ 0.47	March 18, 2015
515,000	550,000	\$ 0.26	June 5, 2017
1,650,000	-	\$ 0.17	August 7, 2018
300,000	-	\$ 0.17	August 21, 2013
<u>3,840,000</u>	<u>2,625,000</u>		

As at June 30, 2009, 3,815,000 (2008 – 2,625,000) of these options have vested. The weighted average exercise price of the stock options outstanding at June 30, 2009 is \$0.27 and the weighted average remaining contract life of the options is 5.94 years.

**7. Capital Disclosures**

The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company' objectives have not changed during the period.

**Notes to Interim Consolidated Financial Statements**

June 30, 2009

(Unaudited)

Canadian Funds

**8. Related Party Transactions**

During the period, the Company incurred \$7,826 (2008 - \$15,701) in legal fees and disbursements paid to a law firm in which a director of the Company is a partner; accounts payable and accrued liabilities includes \$4,725 (December 31, 2008 - \$801) payable to this firm.

The Company also paid \$30,000 (2008 - \$58,788) in geological and administrative consulting fees to a director. Accounts payable and accrued liabilities include \$25,600 (December 31, 2008 - \$20,350) payable to this director.

The above transactions were conducted in the normal course of operations and were measured at the exchange amount, which for the consulting fee is based on the rate agreed to by the consultant and the board of directors, and for the legal fees is based on the same rates that the law firm charges its other clients.

**9. Segmented Information**

The Company's business consists of mineral exploration and development. Details on geographic segments are as follows:

2009	Interest and Other Income	Plant and Equipment	Mineral Properties
Canada	\$ -	\$ 29,708	\$ -
Perú	-	29,612	2,329,302
Total	\$ -	\$ 59,320	\$ 2,329,302

  

2008	Interest and Other Income	Plant and Equipment	Mineral Properties
Canada	\$ 269	\$ 37,135	\$ -
Perú	1,735	42,091	5,008,891
Total	\$ 2,004	\$ 79,226	\$ 5,008,891

**10. Subsequent Event**

On July 28, 2009 the Corporation amended the terms of a private placement in which it proposed to issue up to 7,900,000 units at price of \$0.07 per unit (from \$0.10) for gross proceeds of up to \$553,000. Each unit will consist of one common share and one half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an amended price of \$0.12 per share (reduced from \$0.20) for a period of 18 months. Insiders of the Company have indicated that they may subscribe for up to \$120,000 of this issue. As of the date hereof the proposed placement has not closed.